Aid, the Clean Development Mechanism and Some Open Questions

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Countries with colonial pasts always view the word “aid” with scepticism. Questions multiply when aid appears in conjunction with CDM – the Clean Development Mechanism – a construct of our own times.

In India, we remember the labyrinthine connotations of aid – the good Samaritans and missionaries who formed one half of the colonisation narrative – and the other half that smelled of gunpowder and death. We recall also the role of donors like the World Bank in the more recent neo-colonial past; billions of dollars of aid money funnelled to poor countries to ensure that political resistance can be quashed. The questions are accentuated when “aid” appears in conjunction with CDM.

CDM, according to the Danish government, “promotes sustainable development while mitigating climate change”. Governments who thought up the CDM wanted us to believe it was a scenario that had everything – unimpeded industrial production, splashy lifestyles, economic growth, equity and clean air sans greenhouse gases. A lot of people welcomed the idea; the rest either did not understand it or just went along. No one could have guessed that in four or five years CDM would turn out to be a playground for the world’s corporations.

It has not mattered whether projects labelled CDM are clean or climate-friendly. The official attitude is that a system comprising Designated National Authorities (DNAs), Designated Operating Entities (DOEs), validators, project designers, consultants, international financial institutions and the UN will have little space for error. But what about delivery? How does one know that projects which claim on paper to reduce emissions are doing so in practice?

India is consistently rated as one of the world’s top three CDM countries. It now has more than 600 on-going projects, generating more than 383 million “certified emissions reductions” – CERs. At the current rate of €13 for each Indian CER, this adds up to some €5 billion.

No wonder that CDM has “emerged as a buzzword in the Indian corporate sector”, as a recent press release from the Federation of Indian Chamber of Commerce and Industries puts it. Indian CDM projects have already earned US$234 million from selling the 18 million CERs issued so far.

The larger share of this went to HCFC abatement projects. In 2006, one of these (GFL in Gujrat) posted a return from CER sales more than 3.5 times its net profit the year before. Comparatively smaller projects in waste heat recovery, biomass and wind power categories also earned fat profits. The asking price for primary Indian CERs (credits traded before UNFCCC issuance) is €16, much in excess of the market price for secondary CERs! Indian projects are also holding back issued CERs to fetch a better price at a later date. In the domestic stock market, Indian companies with CDM are automatically being tagged as blue-chip.

Growth, yes. But what about sustainability and climate change mitigation? With the market taking the lead, these concerns recede to the fringe. The Indian DNA pursues a policy of fast-track clearance for CDM projects. It neither scrutinises project documents nor monitors projects after clearance. Validator agencies and DOEs maintain a respectable silence about both delivery and sustainability aspects. That leaves the CDM Executive Board, which sometimes refuses to register projects on methodological or other grounds. But it too leaves issues like project impacts and community participation in the hands of the national authority.

The result of this corporate-friendly CDM (about three-quarters of Indian projects are owned by large corporations) are visible enough. Companies and industrial plants with documented bad social and environmental track records reap rich harvests. Meanwhile, pollution from HCFC project holders like SRF and GFL (both CDM giants) continue in Gujrat. Substantially subsidised by returns from the carbon market (55 waste heat CDM projects so far), polluting industries like sponge-iron continue to belch black filth into the air, destroying agricultural fields and ruining people's health in Bengal, Jharkhand, Chattisgarh and Orissa. In Andhra, the tobacco and paper and pulp giant ITC fills fertile agricultural lands with eucalyptus monocultures. Its "carbon-neutral" clean plant in Bhradachalam (six CDM projects in the same plant) illegally occupies tribal lands, and pollutes rivers and underground aquifers. In Maharashtra in Western India, corporate-owned wind turbines destroy village pastures and agricultural lands. In Uttaranchal, "small" CDM hydropower projects vie with big dams in displacing people from their fields and homes. Indian, Chinese, Latin American (and, yes, African) CDM and other carbon projects simply mean blatant corporate profiteering, aided by governments and donor agencies.

The Danish government talks about selecting projects with a "high sustainability profile" and buying back credits. One understands their imperatives: aid goals have to be met, Kyoto target must be achieved. What baffles and intrigues us is the "sustainability" and climate interplay. Does the Danish government seriously believe, even after all the exposés of CDM projects worldwide, that the key rationale for CDM is anything but profit?

Perhaps it would be wiser to remember that aiding CDM means perpetuating a lie, perhaps the worst humanity has ever been told. The myths of colonial philanthropy did not survive the scrutiny of history. Will this "aid" fare any better? Will the lie of CDM cleanse the emitters of their sins? These are open questions.

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